

HOUSE BILL 3153
By Head

AN ACT to amend Tennessee Code Annotated, Title 67, Chapter 5, relative to tax liens and sale of certain properties, subject to the equity of redemption.

WHEREAS, the epidemic of urban blight and decay afflicting many of Tennessee's inner cities has created an environment in which crime and despair are flourishing; and

WHEREAS, it is in the best interest of the State of Tennessee to reduce government expenses associated with encumbered real property located in such blighted urban areas, especially in federally designated empowerment zones and renewal communities; and

WHEREAS, this reduction in public expenses can be accomplished by selling such encumbered real property, which is often vacant or abandoned, or both, at a price below its market value, but equal to its assessed property tax value or equity of redemption; and

WHEREAS, this type of public sale of encumbered real property would most assuredly have the positive effect of restoring such property to the tax rolls and its normal beneficial use, whether it be commercial or residential, thus reversing the decline of our inner cities and transforming urban blight into urban renewal and economic liability into economic development; and

WHEREAS, to so promote the public health, safety and welfare and to expedite urban renewal and economic development in Tennessee's inner cities, this General Assembly hereby enacts Sections 1 through 3 of the following legislation; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-5-2501, is amended by adding the following new language to be designated as subsection (c):

(c)(1) The provisions of this subsection shall only apply in any municipality located in any county having a population in excess of eight hundred thousand

(800,000), according to the 2000 federal census or any subsequent federal census upon the adoption of an ordinance by a two-thirds (2/3) vote of the legislative body of such municipality.

(2) The court shall order a sale of the land located in a federally designated empowerment zone or renewal community for cash, subject to the equity of redemption.

(3) At all tax sales for properties located in a federally designated empowerment zone or renewal community and meeting the requirements of subdivision (c)(4) below, the clerk of the court, acting for the state, shall offer the sale of the property at public auction for a minimum bid amount equal to the lesser of the assessed value of the property, as determined by the county assessor for the most recent tax year of record, for that particular tax parcel, or the amount as ascertained pursuant to subsection (a)(2) above.

(4) Properties eligible for a reduced minimum bid amount shall be:

(A) Commercial property, as identified by the county assessor designation, located in a federally designated empowerment zone or renewal community; or

(B) Residential property, as identified by the county assessor designation, located in a federally designated empowerment zone or renewal community that is:

(i) Abandoned or vacant; or

(ii) Deemed in violation of any local anti-neglect ordinance.

(5)

(A) Where no non-governmental bidder offers the same or larger bid, the county or municipality shall bid the minimum amount as ascertained in subdivision (c)(3) above; provided, that when the delinquent tax attorney for the county or municipality determines that the environmental risks are such that it is not in the best interests of the county or municipality for a minimum bid to be offered at the tax sale, the clerk shall not offer a bid on the property at the tax sale.

(B) Where a non-governmental bidder purchases the property at tax sale for a minimum bid based upon the assessed value of the property pursuant to subdivision (c)(3) above, the amount paid in to the clerk of court as the final bid, shall be divided as follows: the court commission shall be prorated according to the sale amount, and the clerk of courts shall first receive that amount; a ratio shall be determined between county and municipal tax liens, in proportion to the amounts ascertained by the Master at Reference, and the balance of the amount paid for the property shall second, be distributed to the county trustee and municipality by ratio equal to the amounts due for delinquent taxes on such land, such that this amount is accepted in full satisfaction of the tax liens settled under that particular tax sale.

SECTION 2. Tennessee Code Annotated, Section 67-5-2702, is amended by adding the following new language to be designated as subsection (c):

(c) Persons entitled to redeem property sold pursuant §67-5-2501(c), and situated in federally designated empowerment zones or renewal communities, may do so by paying the moneys to the clerk as required by §67-5-2703 and by filing any statement required by §67-5-2503(b) within six (6) months after entry of an order of confirmation of the tax sale by the court; a taxpayer may redeem property sold pursuant §67-5-2501(c), and situated in a federally designated empowerment zone or renewal community, that has been previously redeemed by paying to the clerk the moneys as required by §67-5-2703 within six (6) months after entry of an order of confirmation of the tax sale by the court. In which case, upon the entry of the order of redemption using the procedure outlined in §67-5-2704, the clerk shall disburse the moneys paid to redeem, plus interest at a rate of ten percent (10%) per annum computed from the date of the order of the previous redemption, to the person previously redeeming as ordered by the court.

SECTION 3. Tennessee Code Annotated, Section 67-5-2503, is amended by designating the existing language as subsection (a), and by adding the following language to be designated as subsection (b):

(b) In order to redeem property which has been sold under §67-5-2501(c), and is situated in a federally designated empowerment zone or renewal community, any person entitled to redeem the property shall pay to the clerk of court who sold the property the amount owed for the delinquent taxes, interest, and penalties, court costs and any other court ordered charges, such amount having been set and identified in the Master's Reference Report, and interest at a rate of ten percent (10%) per annum computed from the date of the sale on the entire purchase price paid at the sale.

SECTION 4. Tennessee Code Annotated, Title 67, Chapter 5, Part 24, is amended by adding the following language as a new section to be designated as follows:

67-5-2422.

(a)

(1) For purposes of this section, "collecting authority" means the county trustee, city treasurer, or other municipal tax collection official.

(2) Upon the adoption of an ordinance by a two-thirds (2/3) vote of the legislative body of any municipality located in any county having a population in excess of eight hundred thousand (800,000), according to the 2000 federal census or any subsequent federal census, any time after the tax collecting official has published a notice pursuant to law concerning delinquent taxes, and prior to the filing of a suit for the enforcement of property tax liens, any person who does not have an interest in the property and who has no obligation to pay the lien on the property may pay the collecting authority of the governmental entity who is the holder of the lien the amount of the lien in full. If such person pays such lien in full then the lien shall be transferred to such person and such transferee shall have all the rights and privileges, including priority of payments, which the governmental entity had with respect to enforcing such lien. The records of the governmental entity shall reflect that such a transfer has occurred and shall include the name of the person to whom the lien has been transferred, including the address, telephone number and any other information necessary to identify such transferee.

(b) The collecting authority shall notify the property owner of the transfer and the person to whom the lien has been transferred shall also notify the property owner in the manner and at such times as are required in the ordinance adopted by any municipality to which this section applies.

(c) The person to whom the lien has been transferred may elect to enforce the lien through court order pursuant to this part within thirty (30) days of the transfer, provided that the purchaser at the tax sale is responsible for the payment of all fees and charges incurred in the legal proceeding.

(d) The legislative body of any municipality to which this section applies shall develop procedures to implement this section including providing a method to resolve any issues with respect to property where the tax lien has been transferred pursuant to subsection (a) but which remains unsold following the tax sale.

SECTION 5. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 6. This act shall take effect July 1, 2004, the public welfare requiring it.